WESTPEAK RESEARCH ASSOCIATION

Vail Resorts, Inc. (NYSE: MTN)

Consumer Cyclical – Resorts and Casinos

Snow Days, Stock Gains

March 9, 2024

Founded in 1962 and headquartered in Colorado, Vail Resorts, Inc. is a holding company that owns and operates a variety of subsidiaries, including mountain resorts, hotels, and ancillary services such as golf courses, ski schools, dining, and rental services.

Thesis

Vail Resorts presents an enticing investment opportunity as a dominant member in the mountain and ski industry. The company's diversified portfolio of resorts and brand recognition serves as a competitive advantage that allows for pricing power. Additionally, Vail's advanced commitment business model helps the company hedge against weather risk and creates stable revenue. With a proven track record of financial success, Vail Resorts is continuing its advanced commitment season passes and acquisition strategies to grow the company long-term.

Drivers

Vail Resorts' business model of advanced commitment season passes has proved successful by providing access to all the company's resorts at a previously unheard price. This has helped grow revenue each year and mitigate risks for the company. Additionally, the company's M&A strategy has allowed the firm to expand its global footprint and makes the season pass more attractive. Vail Resorts further focuses on reinvesting in its diverse portfolio of resorts, putting customers first and creating various digitial initiatives to enhance the guest experience.

Valuation

The target price of $264.26 is based on an EV/EBIDTA exit multiple and perpetuity growth method gathered from our DCF, as well as a P/E and EV/EBITDA multiple from our comparable analysis. Both methods were weighed at 80% and 20% respectively, due to the lack of comparable companies within the industry. We initiate a **BUY** rating on Vail Resorts with an implied upside of 18.1%.

Analyst: Clarrie Dee, BCom. '26
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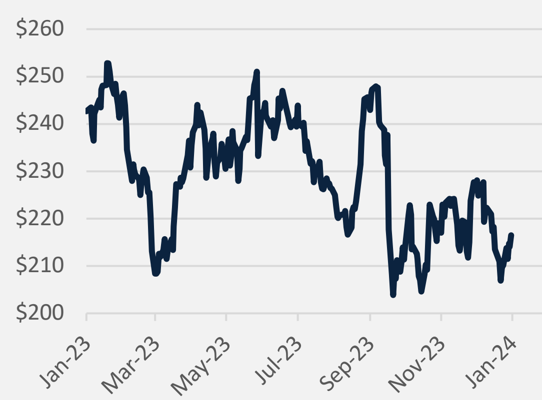
Equity Research	US
Price Target	**US$ 264.26**
Rating	Buy
Share Price (Mar. 9 Close)	US$ 223.76
Total Return	18.1%

Key Statistics	
52 Week H/L	$266.26/$204.88
Market Capitalization	$8.22B
Average Daily Trading Volume	30M
Net Debt	$2.42B
Enterprise Value	$11M
Net Debt/EBITDA	2.9x
Diluted Shares Outstanding	38.12M
Free Float	98.6%
Dividend Yield	3.81%

WestPeak's Forecast

	2024E	2025E	2026E
Revenue	$3.27B	$3.74B	$4.20B
EBITDA	$986M	$1.12B	$1.27B
Net Income	$599M	$732M	$855M
EPS	$14.18	$17.31	$20.21
P/E	25.3x	32.1x	15.3x
EV/EBITDA	13.3x	13.2x	11.2x

1-Year Price Performance



Business Overview

Company Overview

Vail Resorts is an American mountain resort company currently headquarted in Broomfield, Colorado. Originally founded in 1962 by two World War 2 veterans, the company went public in 1997 on the New York Stock Exchange. Vail aims to create an "experience of a lifetime", both for its guests and employees. To do this, they provide mental, physical, and financial wellness programs for all employees to ensure their satisfisfaction and ability to provide excellent customer service. Other company values include protecting the environment that resorts are operated on and ensuring safety of all employees and guests. Vail is best known for its Epic Pass, which provides guests with access to the company's diverse portfolio at bargain prices. This has been a major contributing factor for growth, and separate pricing tiers allows Vail to appeal to a variety of consumers.

Revenue Breakdown

Vail Resorts' operations are broken down into three business segments: Mountain, Lodging, and Real Estate.

The company operates 41 mountain resorts throughout the United States, Canada, Australia, and Europe. The Mountain segment accounts for 88% of total revenue, which is generated through lift ticket sales, retail and rental, ski school, dining, private club operations, and other winter and summer activities. Many of the company's destination mountain resorts are year-round, and thus appeal to a diverse consumer base by offering a variety of winter and summer recreational activities, from skiing and snowboarding to mountain biking and hiking.

The Lodging segment includes all owned and managed properties, as well as RockResorts, a luxury hotel management subsidiary of Vail Resorts. The segment comprises around 5,500 hotel rooms and condominium units spread across its various mountain resorts, bringing in approximately 12% of revenue. This segment also includes golf resorts that are owned and operated by the company, with two in Colorado, and one each in Wyoming, Lake Tahoe, and Park City. Vail Resorts also owns a Colorado ground transporation company, which provides year-round ground transportation for guests travelling by air. From the local airports, guests can be transported to Vail Valley and Summit County.

Lastly, the Real Estate segment is made up of land sales to third parties and plans for future development projects. These developmental activities offer benefits for the larger Mountain and Lodging segments by creating new facilities, such as lodging, restaurants, service facilities, and parking space. It also allows Vail Resorts to have greater control over the architectural structure of its properties and expand commercial leasing operations. On its own however, the Real Estate segment is a small portion of the company's business and currently makes up 0% of total revenue.

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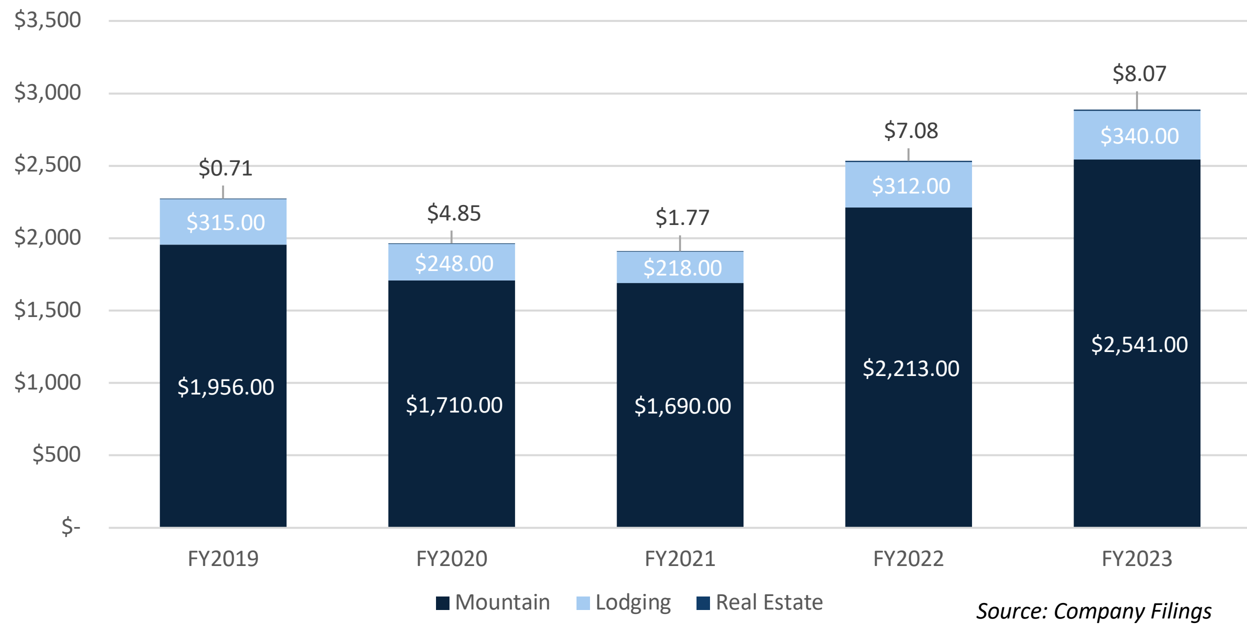
Revenue By Segment (USD$ M)
FY2019 - FY2023



Source: Company Filings

Business Model: Advanced Commitment

Vail Resorts' business model hinges on an advanced commitment subscription from consumers. These passes all require purchase before the season starts and offer flexible access to Vail's integrated network of company resorts. From the Epic Pass to regional and day passes, Vail's separate subscription tiers target different consumers based on their frequency, resort access, and willingness to pay. The broadest offering, Vail's Epic Pass, has three customizable tiers in resort offerings, with the highest tier allowing for unrestricted access to all resorts in their portfolio. This not only creates financial stability to mitigate weather and economic risks but also increases guest retention and improves overall guest experience. The model has been successful, with prepaid pass revenue growing at a CAGR of 17% from 2008 to 2023 and creates guest engagement for the company well before skiing season begins. For fiscal year 2023, advanced commitment pass products made up 61% of total Mountain revenue and 73% of the company's total resort visitation. As pass product consumers ski more days on average, this also drives higher ancillary spending, such as equipmental rentals, food, and other amenities. Pass products create a strong synergy between Vail Resorts' properties, and the company continues to make strategic acqusitions globally to strengthen this synergy.

Furthermore, passholders also gain access to the Epic Mountain Rewards program, which includes a 20% discount on food, beverage, lodging, group ski lessons, and equipment rentals at all North American resorts. Furthermore, Vail Resorts also offers an Epic Coverage plan that provides refunds in the case of resort closures, travel restrictions, or personal circumstances such as injuries.

Resort Portfolio

Vail Resorts has a diverse portfolio of destination and regional resorts, which it actively focuses on expanding. Destination resorts refer to those that attract longer-travel guests, and includes resorts in the Rocky Mountains, Pacific Northwest, Lake

Tahoe, and Switzerland. In the Rockies, Breckenridge Ski Resort was the most visited in the US for the 2022/2023 ski season and offers 5 interconnected mountain peaks with award-winning terrain types for all levels. Whistler Blackcomb is the company's only offering in the Pacific Northwest and is the largest year-round mountain resort in North America. Known for the PEAK 2 PEAK gondola that connects the two mountains, Whistler Blackcomb is popular among international visitors and hosted the 2010 Winter Olympics. Lake Tahoe resorts include Heavenly Mountain (known for a great nightlife), Northstar (a luxury offering), and Kirkwood (recognized for its advanced terrain). Andermatt-Sedrun in Switzerland marks Vail Resorts' first owned and operated European resort, which it acquired in FY2023 with a 55% ownership stake.

Regional ski areas allow Vail Resorts to build a presence near major metropilation areas with large populations. This proximity is an important aspect of the company that helps its advanced commitment passes become more appealing to a wider array of guests. These regional areas include the Northeast, Mid-Atlantic, Midwest, Pacific Northwest (US), and Australia. With Australia in particular, Vail Resorts owns 3 out of the 5 largest ski areas, and the country is an important market for domestic skiing and international visitation. As the Australia winter typically runs from June to August, the company's properties here provide an excellent way to diversify its revenue and mitigate weather condition risks.

Source: Company Filings

Digital Initiatives

Vail Resorts' has a high commitment to guest experience, and many of its destination mountain resorts top the rank of industry survey experiences. The company continues to improve guest experience through digital initiatives. New features include the ability to download passes directly on mobile phones which, eliminatethe need for plastic cards and waiting at ticket windows. To continue this, Vail Resorts recently launched the My Epic application, which features mobile tickets, interactive trail maps, lift line wait times, information on rentals, and personalized information. Combined with a push for data-driven solutions, Vail Resorts aims to enhance analytics and improve guest outreach and conversion.

Marketing and Sales

To drive Mountain segment growth, Vail Resorts utilizes marketing analytics to create targeted advertising. Each guest transaction serves as data points for the company, whether it be purchases of pass products, lift tickets, ski and ride school, equipment rentals, lodging, or food. Resorts are then promoted through omni-channel marketing campaigns, using a mix of emails, promotional programs, social media, and traditional print, TV, and radio advertising. Through these efforts, guests are directed to the company website, where information is listed on each resort, different service and amenities, and any additional questions. Guests can also purchase or book products here. The Lodging segment is promoted through a similar manner as the Resorts. Additionally, Vail provides package promotions that combine amenities from the Mountain segment (ex. passes, tickets, rentals) with Lodging.

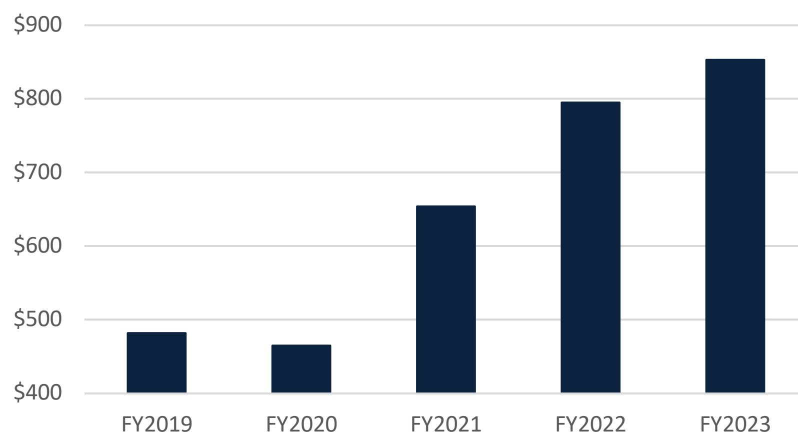
Corporate Growth Strategy

Organic Growth

Season Pass Transition

Vail's Organic Growth strategy is driven by the transition from lift tickets to season passes. It is currently targeting the East Region (Northeast, Midwest, and Mid-Atlantic), which has a high concentration of company resorts, but lower pass purchases, which provides a transition for revenue growth. All Eastern resorts are near metropolitan areas, and Vail Resorts plans on increasing daily lift ticket prices to encourage season pass purchases. The Northeast in particular, has many smaller, independently owned resorts, which Vail Resorts plans to acquire.

Season Pass Revenue Growth (USD$ M)
FY2019 – FY2023



Source: Company Filings

Ancillary Growth

The company is also pushing ancillary growth by offering gear rentals, ski lessons, and dining. Through a method known as My Epic Gear, the company is converting gear owners to rentees thanks to an access economy model, which allows customers to select and try the newest models at the start of every season, have customized boots, and free delivery. This feature will be launched for the upcoming winter season at many of its popular resorts, including Vail Mountain, BeaverCreek, Breckenridge, Keystone, Whistler Blackcomb, and Park City Mountain. Self-service and automation have also become more commonplace as Vail Resorts seeks to increase operating efficiency. Recently, Vail has allowed users to store passes and lift tickets on their mobile devices, as well as improve their technological platforms for online ordering. With automation, Vail has invested in automatic snowmaking equipment, which is more cost-effective and frees up staff to focus on guest experience. Through its snowmaking enhancement project, the company aims to create 421 new snow guns and build pipes that allow mountain peaks to receive artificial snow as well. This will increase Vail to increase snowmaking coverage by 500 acres and create a better early and late season guest experience.

Inorganic Growth

Inorganically, Vail Resorts grows through acquiring new properties and resorts. Due to this growth strategy, rising interest rates and prolonged inflation serve as a major risk to Vail Resorts, as the cost of debt has increased significantly in recent times. In 2016, Vail acquired Whistler Blackcomb Holdings, Inc. for USD$ 1.1B, making this deal one of the largest ski resort acquisitions in history. Vail's most recent acquisition involves Andermatt-Sedrun in Switzerland, which Vail Resorts acquired in August 2022, thus marking the company's first expansion into Europe. Through resort investments to enhance guest experience, base area development, and inclusion in the Epic Pass, the company anticipates this recent acquisition will generate USD$ 5.7M in EBITDA by fiscal year-end July 31, 2024.

The company has further planned to expand across Europe and build a system of connected destination resorts, all operating under a similar system to that in the United States. Vail currently partners with various destination resorts in Europe, such as Les 3 Vallées in France, Ski Arlberg in Austria, Skirama Dolomiti in Italy, and announced an additional partnership with Disentis in Switzerland for the 2023/2024 season. Under the Andermatt-Sedrun acquisition, Vail Resorts plans on leveraging the marketing and operating experience derived from this resort to expand its European network going forward. Vail also operates in Japan through partnerships with Rusutsu and Hakuba Valley, where the company plans on acquiring and operating resorts soon. Lastly, although no concrete plans have been made, Vail Resorts has stated its interest in acquiring resorts in China, where the company's growth potential makes it an attractive investment long term.

Environmental, Social, and Governance

Epic Promise in Sustainability

Vail Resorts has 3 sustainability goals: (1) Zero net emissions by 2030, (2) Zero waste to landfill by 2030, and (3) Zero operating impact on forests and habitats. In 2023, the company's electricity usage was all from renewables, and it was also able to decrease waste to landfill by 6.1 million pounds. To continue working towards the ambitious goal of achieving zero by 2030, the company plans to reduce electricity and natural gas usage by investing USD$ 25M into low-energy snowmaking equipment, design, and grooming practices. Vail also provides educational campaigns to guests who are interested in reducing their carbon footprint, and works with local communities to create composting initatives or upcycliing projects.

Additionally, the company invests carbon offset programs like snowmaking, and works with local waste haulers to support composting operations. To protect its forests, Vail Resorts sponsored the reforestation of 95 acres in Washington, Oregon, and Wyoming that were impacted by wildfires. Overall, the company has invested over USD $1M in grants for environmental steward projects, and has partnered with the National Forest Foundation to fund 250 projects.

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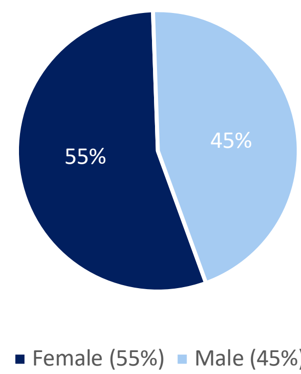
Diversity, Equity, and Inclusion

Being inclusive is one of Vail Resorts' core values, and this is displayed by the gender diversity throughout the company. Women make up 10 resorts leaders (including Breckenridge, Vail, Park City, and Whistler Blackcomb), 5 out of 10 directors on the board, 4 out of 12 of the executive committee members, and Kirsten Lynch, CEO, is the only woman within the industry to lead a Fortune 1000 company. Through leadership programs and a Women & Allies employee resource group, the company aims to further foster an inclusive culture. Vail Resorts also aims to improve racial diversity within the corporation with DEI dialogues, speakers, and training modules. At the end of FY2023, 96% of all employees have completed training regarding ethical leadership and anti-harrassment. Through these various endavors, the company hopes to break down barriers and attract, develop, and retain great talent from the BIPOC community.

Corporate Leaders
Director Level and Above



Source: Company Filings

Industry Analysis

The global mountain and ski resorts market is growing at a steady rate thanks to rising popularity and participation in winter sports, increased tourism, and ski resort expansions. The industry is currently estimated to be valued at USD$ 16B and is expected to grow at a CAGR of 3.2% to reach a size of USD$ 50B by 2033. Vail Resorts also operates in the luxury hotel market through its RockResorts brand. This industry is currently valued at USD$ 140.23B and is expected to exhibit a CAGR of 11.1% and reach USD$ 294B by 2030. However, ski resort visits in the United States, where Vail primarily operates in, remain stagnant with roughly 55-60 million visits per year. Still, the United States ski industry does exhibit some growth potential, as 2022/2023 season marked a new record for US guests with 65.4 million visitors, although this could be due to pandemic aftereffects.

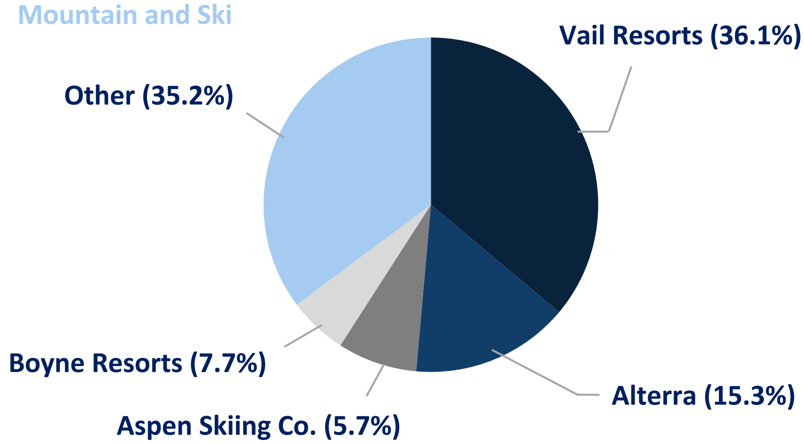
Competition

Mountain Segment

In North America, there are approximately 760 operational ski areas, with around 480 being in the US, which range from small ski areas to large destination resorts. To first focus on the company's Mountain segment, Vail Resorts dominates the industry with its 36.1% market share in the United States. This represents a huge lead from its closest competitors, which are Alterra (15.3%), Boyne Resorts (7.7%), and Aspen Skiing Co. (5.7%). However, there is low growth opportunity in the region, as it is difficult to obtain government approval to build on public land and the amount of

Major Players by Market Share
Mountain and Ski

Source: IBISWorld



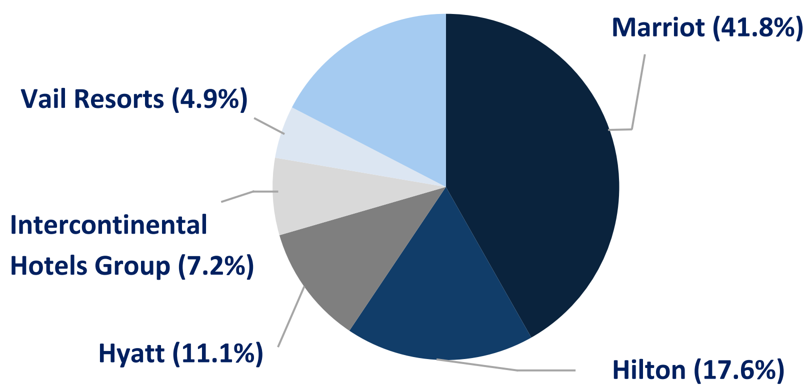
private land is limited. In the past 40 years, there have been virtually no new ski resort developments. Vail Resorts' Epic Pass faces competition from the Ikon Pass, which is a collaboration effort by Alterra Mountain Company, Aspen Skiing Company, Alta Ski Area, Boyne Resorts, Jackson Hole Mountain Resort, POWDR, and Snowbird. However, the Ikon Pass comes at a steeper price ($1,309 USD for 2023/2024) than the Epic Pass ($1,025 USD for 2023/2024) and grants access to only 64 resorts while the Epic Pass contains 85. Furthermore, Ikon Pass profits must be shared among its collaborating companies, while Vail Resorts receives most of the income from Epic Pass sales.

Lodging Segment

Vail's subsidiary, RockResorts, is a luxury hotel chain with offerings in Beaver Creek, Park City, and Vail. This company competes with other accommodation options in the regions it serves, ranging from budget hotels or high-end chains. In the hotel industry, Vail Resorts holds a 4.9% market share, which is significantly lower than industry leaders like Marriott (41.8%), Hilton (17.6%), Hyatt (11.1%) and Intercontinental Hotels Group (7.2%). High fixed costs and difficulty getting permits serve as barriers to entry for Vail Resorts. To make up for the lower market share, RockResorts has a significant geographical advantage. All resorts are located at the foot of Vail's best mountains and offer luxury suites and private villas, with some providing the ability to ski directly in and out of the hotel area. This makes RockResorts a great option for wealthier consumers. Furthermore, the smaller number of offerings means that each RockResorts hotel has unique characteristics that match its surrounding environment, thus creating a differentiating factor from larger hotel chains while still maintaining the same quality of service. However, due to the seasonal nature of being dependent on mountain operations, Vail Resorts' lodging properties have lower average occupancy rates when compared to other similar upscale resorts.

Major Players by Market Share
Hotels

Source: IBISWorld



Drivers, Restraints, and Trends

Mountain and Resorts

The industry took a sharp hit in 2020/2021 due to the pandemic, with only 201 million skier visits recorded. After these, difficult years, the industry has been able to recover and hit 370 million visitors in 2021/2022, with the expectation that future visits will hover around the 323 to 389 million visitor range. An increase in tourism drives growth for Vail's destination resorts, as well as the company's luxury hotels in the area. Furthermore, resorts are beginning to provide more than just skiing and snowboarding, such as mountain trekking and snowshoeing, which attract a variety of travelers. The general population is also becoming more aware of the importance of health and fitness, and outdoor activities provided at these resorts serve as the perfect experience for those who wish to pursue a more health-conscious lifestyle. However, the cyclical nature of the industry means it is incredibly reliant on economic and weather conditions and the amount of disposable income consumers have. The industry is characterized by high costs of participation, with Vail's Epic Pass costing USD$ 859 in the 2022/2023 season. Passes, equipment, and transportation costs do not come cheap, and any economic downturns that decrease discretionary income will could greatly affect consumers' willingness to spend high amounts on ski trips.

Emerging markets provide potential growth opportunities for players in the industry. Regions like North America and Europe are already home to many world-renowned resorts, but smaller areas within them, such as the US East Region, still have room for growth. The East Region has around 35 million visitors per year, with 65% being in region. 40% of these ski vistors buy lift tickets at the window, providing opportunities for Vail to convert them into season pass holders. Currently, poor natural snowfall is a hindrance in the region, but Vail plans to combat this by investing further in automatic snowmaking equipment. Additionally, the industry is gaining traction in Asia-Pacific, specifically China, Japan, and South Korea. This is thanks to the growing middle-class population, which gives rise to a greater disposable income. It is estimated by the Brookings Institution that by 2030, 2/3 of the world's middle-class population will be from Asia. Vail Resorts is aware of the opportunities here and has utilized partnerships in Japan to improve ski infrastructure in the country. The company has also expressed its long-term desire to expand into China, although there are no concrete plans yet.

A major restraining factor is that the industry heavily depends on favourable weather conditions, especially sufficient snowfall. As temperatures rise by around 0.06° Celsius per decade, climate change poses a significant threat to the industry as it magnifies the unpredictability of weather patterns. Furthermore, the resorts themselves impact the environment due to deforestation, potential harm to wildlife, and high carbon emissions due to transportation and maintenance. To combat these issues, the mountain and ski resort industry is placing a higher emphasis on sustainability, such as implementing eco-friendly technology like water treatment plants, solar panels, and waste management systems in its lodges and hotels. Vail Resorts aims to follow these industry trends by implementing various sustainability initiatives that are in line with its environmental Epic Promise, and regularly works with other organizations to promote these goals.

Luxury Hotels

Since the COVID-19 pandemic, hotels have begun adopting more touchless services, such as contactless payments, self-service kiosks, and mobile room keys. These efficient technological advancements free up human labourers and allow them to focus on personalized guest interactions and promoting additional hotel services, amenities, or upgrades. This positions the industry well to take on incoming tourist growth, which is expected to increase over the years. Furthermore, luxury hotels often offer deluxe lodging packages that come with many high-end amenities that attract guests for extended stays.

ROCKRESORTS®

The prevalence of mid-sized and low-cost options like Airbnb may hinder market growth. However, the difference in target demographics means that this should not be a significant issue. With Vail Resorts specifically, its subsidiary operations of RockResorts hotels are all located with the company's destination resorts, thus meaning that growth in the mountain and resort sector will naturally provide growth opportunities for the hotel chains as well.

Management Team

Kirsten Lynch – Chief Executive Officer

Kirsten Lynch joined the company in 2011, where she served as EVP & Chief Marketing Officer before transitioning to the role of Chief Executive Officer in November 2021. Before joining Vail Resorts, she held marketing roles at PepsiCo, Kraft Foods, and the Ford Motor Company. Utilizing this expertise, Kirsten pioneered the usage of the Epic Pass to spearhead growth and improved the methods used by Vail Resorts for data analytics, which led pass revenue to increase from USD$ 135M to USD $653M during her tenure as Chief Marketing Officer. She holds an MBA from the Olin Business School at Washington University in St. Louis.

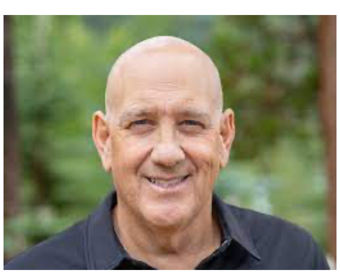
In fiscal year 2023, Kirsten made USD$ 6.2M in total compensation. This was comprised of USD$ 1M of base salary (17% of total compensation), USD$ 2.4M of stock option awards (38% of total compensation), and USD$ 331K of non-equity incentives (5% of total compensation). As a significant portion of her compensation comes from stock options, Kirsten is incentived to make decisions that prioritize shareholder value.

Angela Korch – Executive Vice President & Chief Financial Officer

Angela Korch initially joined Vail Resorts in 2010, serving as the VP of Corporate Mountain Finance before leaving to become the Chief Financial Officer at CorePower Yoga. In December 2022, Angela rejoined the company as Executive Vice President and Chief Financial Officer. During her time at the company, Angela's financial and capital allocation strategies have allowed Vail Resorts to successfully integrate its portfolio of over 30 mountain resorts. Previously, she also worked in investment management as an Assistant Portfolio Manager at Muzinich & Company and as an Analyst at CIGNA Investments. Angela holds a bachelor's degree in Applied Economics and Business Management from Cornell University and an MBA from the NYU Stern School of Business.

Angela made USD$ 1.6M in fiscal year 2023, with USD$ 324K being base salary (20% of total compensation), USD$ 347K being stock options (21% of total compensation), and USD$ 86K non-equity incentives (5% of total compensation). Since base salary plays a larger portion in Angela's total compensation, she may be less inclined to prioritize shareholder interest.

Bill Rock – President (Mountain Division)



Bill Rock joined the company in 2013 as Senior Vice President & Chief Operating Officer before being appointed to President of the Mountain Division in May 2023. He has nearly 30 years of experience in the ski and rude industry and operated resorts in the Lake Tahoe and Rocky Mountain Region for Vail Resorts, where he focused on prioritizing guest experience. Previously, Bill served as Chief Operating Officer of Northstar-at-Tahoe, Snowshoe Mountain, and Durango Mountain Resort. He has also served on the National Ski Areas Association Board of Directors. Bill holds a bachelor's degree from Clemson University.

As he was recently promoted in May 2023, Bill's annual compensation has not been listed yet. However, we expect his compensation to be like that of the previous president, James O'Donnell, whose annual compensation was USD$ 2.3M. This was made up of USD$ 599K of base salary (26% of total compensation) and USD$ 665K of stock option awards (29% of total compensation). This is similar to Angela's compensation structure, with an equal weighting of salary and stock option compensation. However, Bill's compensation may not be the same as the previous president, so his interest in Vail's stock price is still uncertain.

Investment Thesis

Market View

Over the past year, Vail Resorts has experienced a decline in share price from $252.60 to $216.52 at the end of 2023, representing a -14.28% decrease. This is largely due to the uncertain nature of Vail's performance given its dependence on weather conditions. Adverse conditions on both ends of the spectrum can easily decrease revenues, with poor snowfall and severe winter storms resulting in limited operations. The inflationary environment of the current economy also leads many to be concerned about consumer discretionary spending, which will greatly impact Vail Resorts' product sales due to the company's high prices. Vail Resorts' Q1 earnings almost always report a loss, and many investors wait until Q2 results before deciding to invest since the seasonal nature of Vail's operations means that Q2 and Q3 represent the entire year's performance.

Investment Thesis 1 – North America Resort Offering

In a competitive industry made of many private players, Vail Resorts has a great advantage with its diverse and popular resort offering. The company owns five out of the ten most visited US ski resorts for the 2022/2023 season, which include Breckenridge (1), Park City (2), Vail Mountain (3), Keystone (9), and BeaverCreek (10). Additionally, it owns and operates Whistler Blackcomb, the largest year-round mountain resort in North America. Combined with their regional properties strategically placed near population centers, Vail Resorts owns a diverse repertoire of resorts that differentiate it from other ski holding companies. The market underestimates the value of this portfolio, since a majority is located within the United States, a region with limited growth in the ski sector. However, the advantage of Vail's dominance in North America is not growth, but pricing power. In the 2022/2023 season, Vail Resorts made up 20% of the total 85.8 million visitors to North American resorts, proving its significant market share. This, combined with the popularity of the company's destination resorts, gives Vail the opportunity to increase its pass prices. As the United States have consistent resort visitors, this pricing power allows Vail to generate further revenue in a way the company's competitors cannot. Lastly, issues with land approvals mean that no resorts have been developed in North America in the past 40 years. This established Vail's position as the region's dominant player, giving rise to monopolistic pricing power.

Investment Thesis 2 – Advanced Subscription Model

Since its launch in 2008, Vail Resorts' Epic Pass has been incredibly popular among consumers. It has superior value proposition, as guests can access multiple of the company's resorts with just one pass. The company also offers different tiers, including all resort, regional, and day passes that target guest needs. The strategy has been highly successful, with an 85% increase of new pass holder growth. This figure includes guests who previously purchased lift tickets then switched over, as well as guests new to Vail Resorts. Furthermore, passholders have a 2x higher return rate, visit 3x more days on average, and have higher guest satisfaction scores. We believe the market underestimates this business model due to the high price points of these season passes. Vail has a history of hiking up these pass prices every season, and the market is concerned that this will deter consumers with high demand elasticity and hurt revenues. However, what the market fails to realize is that the advanced subscription model also perfectly complements the company's acquisition strategies. With new resorts consistently being added to Vail's portfolio, the company has a valid reason for raising prices each year. Additionally, the company has control over these prices thanks to its unique resort offering, and has lowered them during weakening macroeconomic conditions, such as fiscal year 2022. Lastly, the Epic Pass also gives Vail Resorts important insights into both its performance by allowing the company to better predict season revenue and traffic, as well as consumer data.

Investment Thesis 3 – Strategic Expansions

Vail Resorts is actively pursuing growth opportunities through M&A activity. New acquisitions provide the company with the opportunity to expand its geographical footprint and tap into new markets. Diversification of its properties will also the company to combat its greatest risk, adverse weather conditions, by decreasing the reliance on specific regions. The market is wary of this strategy, as global expansions come with integration and regulatory challenges, especially as Vail makes acquisitions in regions they have not previously operated in. Failure to integrate new resorts with current ones may result in operational inefficiencies and financial losses, and rapid M&A expansions can cause issues with the company's ability to effectively manage them. As Vail expands into Europe and Asia, new environmental laws or other regulations could be another hurdle. However, the company has made 11 acquisitions up to date, providing a strong track record to mitigate these concerns. Vail's 2016 acquisition of Whistler Blackcomb is a great example of how the company has integrated a new acquisition and built it to become one of the major destination resorts in the company's portfolio.

Other benefits from M&A activity include additional revenue streams, synergies among resorts, and enhanced season pass offerings. Furthermore, with continuous expansions into Europe, operational efficiencies can be achieved as resorts in the region begin utilizing shared resources, such as management. As Vail Resorts continues to acquire and expand its portfolio, the company further establishes itself as a market leader within the ski resort industry.

Catalysts

Favourable Weather Conditions

Vail Resorts' operations are highly dependent on weather factors that influence its Mountain and Lodging revenue streams. Abundant snowfall and weather play a pivotal role in shaping visitor behaviour, as guests naturally prefer favourable conditions like fresh snowfall and pleasant temperatures. As such, strong, or better-than-expected weather conditions will attract a higher number of visitors. Furthermore, natural snowfall decreases operational costs as the company no longer needs to spend significant amounts on snowmaking. These factors may lead to strong Q2 and Q3 results, which corresponds to the winter ski season where the company generates most of its revenue. Investors typically focus on these two quarters, and beating estimates may result in potential stock price appreciation.

Strong Season Pass Sales

Season pass sales are crucial in determining the financial health and success of Vail Resorts. These advanced commitment passes provide a predictable revenue stream for the company and allows management to improve their financial planning for the future. High pass sales also enhance customer loyalty, as data shows that season pass holders exhibit loyalty to visiting Vail Resorts thanks to the substantial investment they have made for the season. This translates to repeat business and higher ancillary spending. As such, strong sales of Vail's advanced commitment passes are viewed very positively by potential investors, and this positive market perception will increase investor confidence and result in potential hikes of the company's stock price.

Increased M&A Activity

Vail Resorts has adopted a strategy of inorganic growth through acquisitions and are currently targeting the European market. As mentioned previously, these strategic acquisitions have many benefits for the company, especially when integrated properly. The success of this strategy speaks to its effectiveness, and complements with other strategies, such as advanced commitment passes, allows Vail Resorts to grow in the long-term. As such, any new acquisition announcements will heavily influence market perception of the stock and may result in stock price increases if it is viewed favourably.

Improved Economic Conditions

The mountain and ski resorts industry is one that benefits greatly from favourable economic conditions. Increases in household income allows consumers to have higher disposable income, which they can then spend on vacations and pricier activities. Vail's destination resorts may achieve higher revenue as the tourism industry rebounds from pandemic aftereffects. Additionally, the market expects the Federal Reserve to move towards interest rate cuts and stimulate the economy. For Vail specifically, this change in monetary policy can lead to increased spending on consumer discretionary goods and create better economic conditions that benefit the company.

Shareholder Base, Liquidity, Market Depth

Shareholder Base

Currently, Vail Resorts has 37.97M shares outstanding, with 34.68M of these being free float shares. According to Capital IQ, 96.4% of shares are held by institutions, with the remaining ownership mainly split between individual insiders and state-owned shares. The large percentage of institutional shareholders may have significant influence over management, and lead to the prioritization of these institutions over smaller shareholders. Below is a list of the only shareholders than own more than 5% of the company's common stock as of Oct 10, 2023.

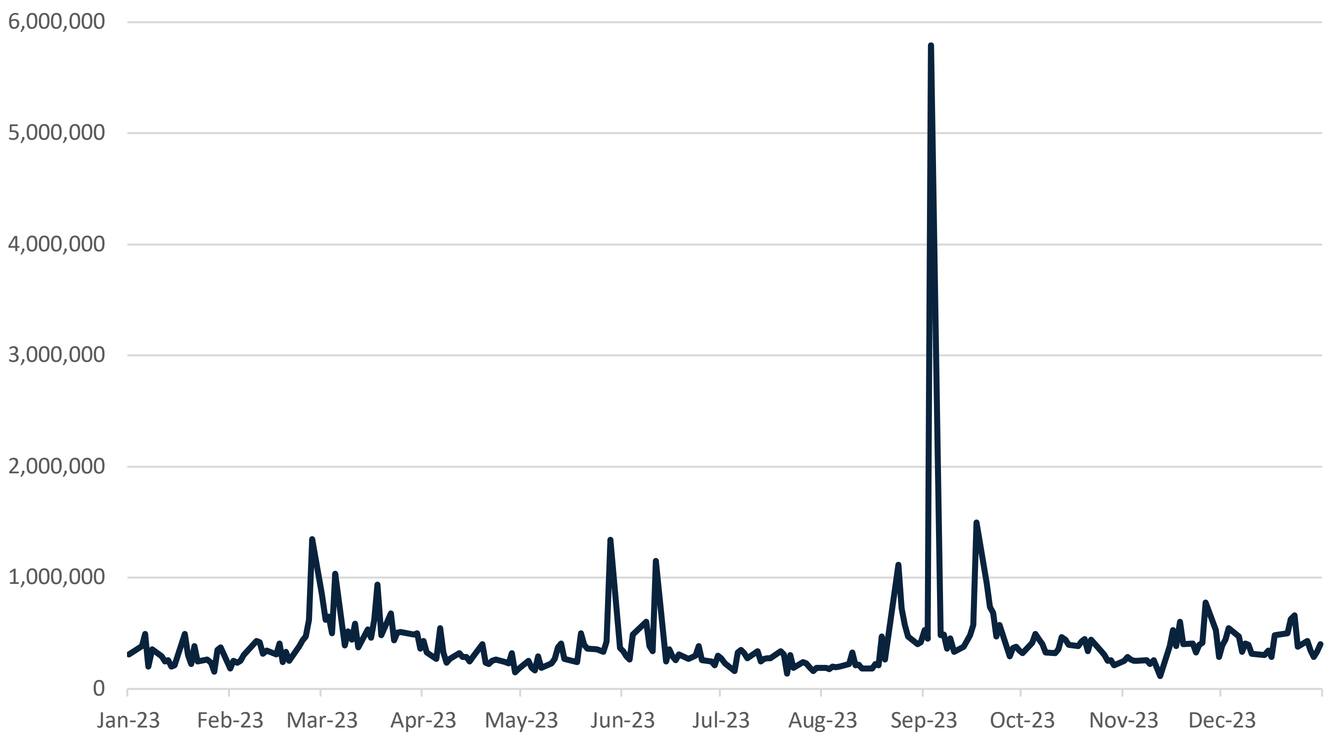
Name of Beneficial Holder	Shares	Percent of Class
BlackRock, Inc.	4,639,362	12.2%
Ronald Baron/Baron Capital Management, Inc.	4,309,980	11.3%
The Vanguard Group, Inc.	3,905,848	10.3%
Select Equity Group, L.P.	2,612,048	6.9%
APG Asset Management US Inc.	2,139,550	5.6%

Source: Company FIlings

Liquidity

Vail Resorts has an average daily trading volume of 383,825. Liquidity spikes typically occur when new earnings reports are released. During September 2023, the company experienced a significant spike in liquidity due to its Q4 FY2023 earnings release, which cited strong growth in pass sales, visitation, and guest satisfaction despite challenges due to rocky weather for the season.

1-Year Trading Volume
(NYSE: MTN)



Source: Yahoo Finance

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Valuation

Discounted Cash Flow Analysis

Revenue Projections

Mountain Segment

Due to partnerships across resorts in multiples countries and regions, we expect these expansions to increase revenue for the year by 1%. Additionally, Vail Resorts announced on November 30th, 2023, that it plans to acquire Crans-Montana Mountain Resort in Switzerland from CPI Property Group. This is the second resort that the company will own in Europe and it spans 1,400 meters of skiable terrain with 140km of trails. It will be included in the Epic Pass starting in the 2024 ski season, and we forecast a 1% increase in the year's revenue growth by estimating comparable revenues from similar resorts. We predict Vail will continue this expansion strategy in Europe and other regions like Asia therefore we expect a 1% increase in revenue per year to account for these expansions.

Vail Resorts' business model hinges on the advanced commitment of pass purchases, which has experienced a CAGR of 17% from 2008 to 2023. This is forecasted to grow significantly as the company strategically prices lift tickets to encourage season pass purchases. As lift ticket revenue comprises roughly 62% of Mountain services revenue and is expected to grow to over 75%, we predict the various benefits brought by advanced commitment will increase revenue by 10% for the 2023/2024 season. However, the hikes in regular lift ticket prices may deter more casual skiers, so we factor in a steady decline until the historic mean of 8% growth is achieved.

Lastly, the company's various technological advancements, such as the recent My Epic app launch, provide various quality-of-life improvements that improve the guest experience. A new implementation is called My Epic Gear, which aims to convert gear owners into renters by providing a booking system for high-end ski equipment and customizable ski and snowboard boots. Unfortunately, we believe that the targeted demographic of those with gear will not be consistently willing to rent high-end equipment, and this will increase annual revenue by a modest 1%.

Lodging and Real Estate Segments

Revenue in the Lodging segment is primarily generated through RockResorts located at the Colorado and Utah mountain resorts and represents roughly 95% of the segment's total revenue. As such, we forecast Lodging revenue to grow at a similar rate alongside the Mountain Segment. However, Vail's segments' geographies do not perfectly match, and Mountain revenue is driven by international markets where Vail does not own hotels. To account for this, we forecast Lodging revenue to converge back to the historical mean of 4.7%. In the Real Estate segment, the company has no future land or development plans, so we forecast 0% growth.

Cost of Goods Sold (COGS)

COGS, as a percentage of revenue, is steady for Vail Resorts, being slightly higher in Q1 and Q4 winter months than the summer season. We will use historical means to forecast Q1/Q4 and Q2/Q3 separately, then take the average for future

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fiscal years. We forecast SG&A expenses as a consistent percentage of revenue based on historical means, adjusting initially in consideration of different quarters. OPEX is forecasted in the same manner.

Capital Expenditures (CAPEX)

Capital expenditures are expected to grow in the coming years due to various expansion projects, such as lift improvements at Whistler Blackcomb and Hunter Mountain, a 10-person gondola at Park City, and various snowmaking equipment across all resorts. To account for these expenditures, we expect CAPEX to be 2% higher than its historical mean of 9%.

Weighted Average Cost of Capital (WACC)

The cost of equity is calculated using the risk-free rate of 3.97% from the US 5 Yr Treasury bond, expected market return of 12% from the S&P 500 annualised return, and a beta of 1.06 according to Bloomberg.

Perpetuity Growth

We estimate a perpetuity growth rate of 2% to reflect the maturity of the industry and Vail Resorts' competitive advantage as a dominant player.

Terminal EV/EVITDA Multiple

For our terminal EV/EBITDA multiple, we used 8.4x, which was determined from the industry median.

Comparable Companies Analysis

Due to a lack of publicly traded mountain and ski holding companies, comparables are expanded into the general hotel and entertainment resorts industry. The set was chosen based on similar geography and target demographics. Market capitalization was also a factor, with the exception of Marriott International and Hilton Worldwide. Due to the luxury offerings and wide range of countries these hotel giants operate in, we felt its usage as comparables was justified. However, none of these companies operate solely in the ski resort industry, thus limiting the usefulness of our comparables analysis.

Hyatt Hotels Corporation (NYSE:H)

Hyatt Hotels Corporation is a multinational hospitality company headquartered in Chicago, Illinois. The company manages and franchises over 1,300 properties in around 70 countries, targeting business travel and tourism. Hotel chains operate under a dozen brands, including Hyatt, Grand Hyatt, Andaz, and Park Hyatt (luxury). 50% of its revenue comes from the domestic US market, while the remaining half is distributed from its global locations.

Marriott International Inc (NASDAQ: MAR)

Marriot International is a global hotel brand based in Besthesda, Maryland that operates full-service hotels and resorts. Its operating segments are divided into: (1) US & Canada and (2) International. As of year-end 2022, the company has 2,053 properties, which are divided into Luxury (JW Marriott, The Ritz-Carlton, etc.), Premium (Sheraton, Delta Hotels, etc.) and Select (Fairfield, Residence Inn, etc.).

Hilton Worldwide Holdings Inc (NYSE: HLT)

Hilton Worldwide Holdings is an American multinational hospitality company based in Virginia, US. The company has 7,165 properties worldwide, with a majority (5,895) in the Americas. Its portfolio is comprised of luxury, lifestyle, and full vs focused service properties. Its business segments include a management and franchise segment, as well as an ownership segment. The former involves Hilton managed properties for third-party owners and franchises, while the latter includes revenue generated from the company's owned and leased hotels.

Live Nation Entertainment Inc (NYSE: LYV)

Live Nation Entertainment, headquartered in California, US, is a multinational entertainment company that generates revenue through its Concerts, Ticketing, and Sponsorship & Advertising segments. Concerts involve promoting live music events in company owned/operated or third-party venues. Live Nation is also an agency business that sells tickets for events through its Ticketing segment. Lastly, Sponsorship & Advertising involves Live Nation working with corporations to help create marketing initiatives.

Six Flags Entertainment Corporation (NYSE: SIX)

Six Flags is an American amusement park corporation based in Texas, US. The company has 27 theme park and water park locations, with 24 in the US, 2 in Mexico, and 1 in Canada. Revenue is primarily generated by selling park admission tickets, food, beverages, merchandise, and other park products and services.

SeaWorld Entertainment Inc (NYSE: SEAS)

SeaWorld Entertaintment is an American theme park and entertainment company based in Florida, US. The company's brand portfolio includes owned or licensed brands, such as SeaWorld, Busch Gardens, and Discovery Cove. It owns 12 differentiated theme parks, all of whom are in the US. Revenue generation primarily comes from selling admissions, and the purchase of food, merchandise, or other services within its theme parks.

Recommendation - Buy

Buy

Based on our analysis, we believe that Vail Resorts is currently undervalued by the market. Despite the business being strongly affected by external factors, such as economic and weather conditions, Vail Resorts has strong fundamentals that position the company well for long-term growth. The company has a broad array of resort offerings and focuses on continuing its expansion plans globally. Along with the strategy of selling advanced season passes, these strategies allow Vail Resorts to generate strong free cash flow. The company's fixed cost structure means it also has high operating leverage, so even a small amount of annual growth creates great return potential. With its further focus on enhancing the guest experience, we believe Vail Resorts' benefits are being underecognied by the market.

We calculated Vail Resorts' share price using a discounted cash flow model and comparables analysis, assigning the following weightings to each:

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- 40% weighting of USD$ 322.79 calculated through the Perpetuity Growth DCF Method
- 40% weighting of USD$ 244.47 calculated through the Exit Multiple DCF Method
- 10% weighting of USD$ 201.17 calculated through the EV/EVITDA Implied Price Method
- 10% weighting of USD$ 172.36 calculated through the P/E Implied Price Method

Due to the lack of comparable companies that have similar offerings to Vail Resorts' main Mountain segment, we opted for an 80/20 split between DCF and comparables methods. Using the weighting displayed above, we calculated a target price of USD$ 264.26 for Vail Resorts, indicating an 18.1% upside. We recommend a **BUY** rating for Vail Resorts.

Risks

Economic Downturns

Skiing and tourism activities are expensive, meaning the industry is adversely affected by economic recessions or downturns as disposable income decreases. Consumers may choose to withhold or decrease their spending for various reasons, such as inflationary pressures, rising interest rates, and negative expectations of where the economy is heading. This problem is exacerbated by Vail Resorts operating under a high fixed cost structure, as declining revenues will significantly impact operating margins.

Disruptive Weather Conditions

Unfavourable weather conditions will impact the company's ability to attract guests to its resorts. A lack of natural snowfall reduces skiable terrain and increases the costs of snowmaking, while excessive snowfall creates guest access difficulty and increases grooming costs. Furthermore, scientific research shows that the effects of climate change are altering the atmosphere, resulting in potential impacts such as warmer weather, decreased snowfall, or weather variability. During the 2022/2023 North American ski season, weather variability resulted in unusually warm and extremely cold weather that disrupted operations. Vail Resorts is focusing on prepaid pass purchases and geographic diversification to mitigate this issue, but there is no way to predict future weather patterns or the impacts they will have.

Seasonal Business

Vail Resorts' Mountain and Lodging segments are both highly seasonal, with the peak operating season being mid-December to mid-April. In the remaining off-season, revenues decline substantially, sometimes even resulting in losses. Australian Resorts, mountain summer activities, and golf courses generate revenue during this period, but are not enough to offset losses from maintaining the Mountain and Lodging segments during this off-season. Any sudden declines in peak season revenue would be detrimental to the company's fiscal year results, as it would be unable to recoup these lost revenues.

Upholding Brand Reputation

The company's ability to attract and retain guests relies heavily on external perceptions, which hinge on resort safety, corporate integrity, and service. Despite promoting safety programs, there are inherent risks associated with resort activities that always allow for the possibility of accidents or injuries on the property. Media publicity from these events may negatively harm the reputation of the resorts, hotels, and businesses that Vail Resorts operates. Furthermore, the rise of social media usage fuels the impact of negative publicity, reaching wider audiences with an increased likelihood of false information, all of which may lead to a loss in consumer confidence that reduces visitation and impacts operations.

Appendix 1: Model Summary

(Figures in millions USD)	Jul-19 FY2019	Jul-20 FY2020	Jul-21 FY2021	Jul-22 FY2022	Jul-23 FY2023	Jul-24 FY2024	Jul-25 FY2025	Jul-26 FY2026	Jul-27 FY2027	Jul-28 FY2028	Jul-29 FY2029
Income Statement											
Revenue	2,271.6	1,963.7	1,909.7	2,525.9	2,889.4	3,222.4	3,681.9	4,135.1	4,567.3	4,959.1	5,339.2
EBITDA	699.8	497.3	533.1	829.1	831.7	976.3	1,146.5	1,240.5	1,347.4	1,448.1	1,559.1
Net Income	323.5	109.1	124.5	368.3	285.1	593.4	753.1	837.0	933.8	1,025.3	1,125.5
Earnings Per Share	$ 7.32	$ 2.42	$ 3.13	$ 8.55	$ 6.74	$ 14.91	$ 18.93	$ 21.03	$ 23.47	$ 25.77	$ 28.29
Cash Flow Statement											
Capital Expenditures	(192.0)	(172.3)	(115.1)	(192.8)	(314.9)	(210.3)	(226.6)	(223.7)	(219.1)	(214.6)	(210.3)
Acquisitions	(419.0)	(327.6)	-	(116.3)	(38.6)	-	-	-	-	-	-
Divestitures	15.0	7.2	11.8	9.4	8.9	6.5	-	-	-	-	-
Dividend Payment	(260.6)	(212.7)	-	(225.8)	(314.4)	(324.4)	(327.9)	(327.9)	(327.9)	(327.9)	(327.9)
Dividend Per Share	$ 6.46	$ 5.28	$ -	$ 5.58	$ 7.94	$ 8.24	$ 8.24	$ 8.24	$ 8.24	$ 8.24	$ 8.24
Dividend Payout to Earnings	80.5%	195.1%	-	61.3%	110.3%	54.7%	43.5%	39.2%	35.1%	32.0%	29.1%
Dividend Payout to Core FCF	0.0%	0.1%	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend Yield	3.0%	2.9%	-	2.0%	3.4%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%
Balance Sheet											
Current Assets	527.9	665.1	1,745.6	1,791.5	1,208.1	1,389.9	1,881.2	2,431.3	3,181.9	4,013.8	4,942.3
Non-Current Assets	3,898.1	4,579.1	4,505.5	4,526.5	4,739.6	4,564.5	4,518.1	4,472.3	4,427.4	4,383.4	4,340.4
Assets	4,426.1	5,244.2	6,251.1	6,318.0	5,947.8	5,954.4	6,399.3	6,903.5	7,609.3	8,397.2	9,282.7
Current Liabilities	1,842.5	2,192.7	2,067.9	2,118.1	2,371.6	2,283.6	2,237.2	2,191.4	2,146.5	2,102.5	2,059.4
Non-Current Liabilities	101.0	96.8	95.6	96.0	90.2	86.5	86.5	86.5	86.5	86.5	86.5
Liabilities	40.2	40.1	37.1	51.4	-	-	-	-	-	-	-
Shareholders' Equity	1,608.2	1,709.0	1,781.0	1,754.9	1,720.3	1,668.0	1,668.0	1,668.0	1,668.0	1,668.0	1,668.0
	306.2	314.776	319.11	314.058	309.345	300.457	300.457	300.457	300.457	300.457	300.457
Cash	118.4	402.1	1,258.6	1,126.1	573.1	691.8	1,129.9	1,593.3	2,270.1	3,035.0	3,898.5
Debt	1,639.0	2,709.0	3,089.7	3,012.9	3,071.7	2,983.8	2,983.8	2,983.8	2,983.8	2,983.8	2,983.8
Net Debt	1,520.6	2,306.9	1,831.1	1,886.8	2,498.6	2,292.0	1,853.9	1,390.5	713.8	(51.1)	(914.7)
Minority Interests	226.2		234.5		331.7		295.1		295.1		295.1
Debt/EBITDA	2.2 x	4.6 x	3.4 x	2.3 x	3.0 x	2.3 x	1.6 x	1.1 x	0.5 x	n/a	n/a
Operating Metrics											
Return on Equity (ROE)		6.6%	7.1%	21.0%	16.6%	35.6%	45.1%	50.2%	56.0%	61.5%	67.5%
Return on Assets (ROA)		2.3%	2.2%	5.8%	4.8%	10.0%	11.8%	12.6%	12.9%	12.8%	12.7%
Return on Invested Capital (ROIC)		140.0%	195.7%	594.8%	353.6%	528.0%	617.8%	431.3%	489.4%	548.5%	614.8%
Valuation Metrics											
Stock Price (High)	$ 259.42	$ 230.94	$ 307.74	$ 347.04	$ 266.26	$ 223.76	$ 223.76	$ 223.76	$ 223.76	$ 223.76	$ 223.76
Stock Price (Low)	$ 166.29	$ 131.05	$ 169.88	$ 197.45	$ 204.88	$ 223.76	$ 223.76	$ 223.76	$ 223.76	$ 223.76	$ 223.76
Stock Price (Average)	$ 212.86	$ 181.00	$ 238.81	$ 272.25	$ 235.57	$ 223.76	$ 223.76	$ 223.76	$ 223.76	$ 223.76	$ 223.76
Diluted Shares Outstanding (Average)	44.2	45.1	39.8	43.1	42.3	39.8	39.8	39.8	39.8	39.8	39.8
Market Capitalization (Average)	9,406.7	8,156.4	9,495.7	11,728.4	9,964.6	8,904.0	8,904.0	8,904.0	8,904.0	8,904.0	8,904.0
Enterprise Value (Average)	11,153.6	10,463.3	11,561.3	13,615.2	12,794.9	11,196.0	11,053.1	10,294.6	9,913.0	8,852.9	8,284.5
P/E	29.1 x	74.8 x	76.3 x	31.8 x	35.0 x	15.0 x	11.8 x	10.6 x	9.5 x	8.7 x	7.9 x
EV/EBITDA	15.9 x	21.0 x	21.7 x	16.4 x	15.4 x	11.5 x	9.6 x	8.3 x	7.4 x	6.1 x	5.3 x
FCF Yield to Market Capitalization	5.1%	3.6%	5.7%	5.5%	4.1%	7.0%	10.0%	10.4%	13.0%	14.1%	15.4%
FCF Yield to Enterprise Value	4.3%	2.8%	4.7%	4.7%	3.2%	5.5%	8.0%	9.0%	11.6%	14.2%	16.6%
Free Cash Flow											
EBIT	481.7	247.8	280.5	576.7	563.2	691.7	873.4	971.0	1,083.3	1,189.5	1,305.7
Tax Expense	(75.5)	(7.4)	(0.7)	(88.8)	(88.4)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)
D&A	218.1	249.6	252.6	252.4	268.5	284.6	273.0	269.5	264.0	258.6	253.3
Capital Expenditures	(192.0)	(172.3)	(115.1)	(192.8)	(314.9)	(210.3)	(226.6)	(223.7)	(219.1)	(214.6)	(210.3)
Changes in NWC	50.8	(23.3)	127.4	94.5	(17.7)	(145.1)	(33.6)	(91.5)	25.9	23.5	22.8
Unlevered Free Cash Flow	483.2	294.3	544.6	642.0	410.6	620.7	886.1	925.1	1,153.9	1,256.6	1,371.3

Current Price	**$**	**223.76**
Target Price	$	264.26
Total Return		18.1%
Recommendation		**BUY**

DCF Valuation		
Perpetuity Growth Implied Price	$	322.79
Exit Multiple Implied Price	$	244.47
Comps Valuation		
Comps - EV/EBITDA Implied Price	$	201.17
Comps - P/E Implied Price	$	172.36

Appendix 2: Discounted Cash Flow Analysis

(Figures in mm USD)	*Jul-19* FY2019	*Jul-20* FY2020	*Jul-21* FY2021	*Jul-22* FY2022	*Jul-23* FY2023	*Jul-24* FY2024	*Jul-25* FY2025	*Jul-26* FY2026	*Jul-27* FY2027	*Jul-28* FY2028	*Jul-29* FY2029
WACC Calculations											

Cost of Equity	
Risk-free rate	4.0%
Expected market return	12.0%
Market Risk Premium	**8.0%**
Beta	0.98
Cost of Equity	**11.8%**

Cost of Debt	
Pre-tax cost of debt	4.8%
Effective tax rate	24.9%
Cost of Debt	**3.6%**

WACC	
Market value of equity	8.5
Market value of debt	3.0
Total Capitalization	**11.5**
Cost of equity	11.8%
Cost of debt	3.6%
WACC	**9.7%**

Free Cash Flow	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
EBIT	481.7	247.8	280.5	576.7	563.2	691.7	873.4	971.0	1,083.3	1,189.5	1,305.7
Less: Tax expense	(75.5)	(7.4)	(0.7)	(88.8)	(88.4)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)
Add: Depreciation and amortization	218.1	249.6	252.6	252.4	268.5	284.6	273.0	269.5	264.0	258.6	253.3
Less: Capital expenditures	(192.0)	(172.3)	(115.1)	(192.8)	(314.9)	(210.3)	(226.6)	(223.7)	(219.1)	(214.6)	(210.3)
Less: Change in net working capital	50.8	(23.3)	127.4	94.5	(17.7)	(145.1)	(33.6)	(91.5)	25.9	23.5	22.8
Unlevered Free Cash Flow	**483.2**	**294.3**	**544.6**	**642.0**	**410.6**	**620.7**	**886.1**	**925.1**	**1,153.9**	**1,256.6**	**1,371.3**
Discount factor						0.75	1.75	2.75	3.75	4.75	5.75
Present Value of Unlevered Free Cash Flow						**370.9**	**849.9**	**717.2**	**815.6**	**809.7**	**805.5**

Perpetuity Growth Method		
Perpetuity Growth Rate		**2.0%**
PV sum of unlevered FCF		4,368.8
Terminal value		10,676.2
Enterprise Value		**15,045.0**
Add: Cash		573.1
Less: Debt		2,988.2
Less: Other EV adjustments		331.7
Equity Value		**12,298.2**
Shares outstanding		38.1
Implied Share Price	**$**	**322.79**
Current Price	$	223.76
Implied Price	**$**	**322.79**
Total Return		**44.3%**

Exit Multiple Method		
Terminal EV/EBITDA Multiple		**8.4 x**
PV sum of unlevered FCF		4,368.8
Terminal value		7692.336483
Enterprise Value		**12,061.1**
Add: Cash		573.1
Less: Debt		2,988.2
Less: Other EV adjustments		331.7
Equity Value		**9,314.3**
Shares outstanding		38.1
Implied Share Price	**$**	**244.47**
Current Price	$	223.76
Implied Price	**$**	**244.47**
Total Return		**9.3%**

Perpetuity Growth Rate \ WACC	10.60%	10.10%	9.60%	9.10%	8.60%
1.00%	$ 251.89	$ 271.01	$ 292.40	$ 316.50	$ 343.83
1.50%	$ 264.65	$ 285.57	$ 309.12	$ 335.83	$ 366.36
2.00%	$ 278.90	$ 301.92	$ 328.03	$ 357.88	$ 392.32
2.50%	$ 294.91	$ 320.43	$ 349.61	$ 383.27	$ 422.52
3.00%	$ 313.03	$ 341.55	$ 374.46	$ 412.83	$ 458.13

Terminal EV/EBITDA Multiple \ WACC	10.60%	10.10%	9.60%	9.10%	8.60%
6.4 x	$ 186.46	$ 191.89	$ 197.48	$ 203.23	$ 209.15
7.4 x	$ 209.39	$ 215.42	$ 221.63	$ 228.03	$ 234.62
8.4 x	$ 232.32	$ 238.95	$ 245.79	$ 252.83	$ 260.08
9.4 x	$ 255.24	$ 262.49	$ 269.95	$ 277.63	$ 285.54
10.4 x	$ 278.17	$ 286.02	$ 294.10	$ 302.43	$ 311.01

Appendix 3: Comparables Companies Analysis

(Figures in mm USD)

				EV/EBITDA Multiple			P/E Multiple		
Company	**Ticker**	**Equity Value**	**Enterprise Value**	**2022A EV/EBITDA**	**2023E EV/EBITDA**	**2024E EV/EBITDA**	**2022A P/E**	**2023E P/E**	**2024E P/E**
Hyatt Hotels Corp	(NYSE: H)	16,155.8	18,802.8	22.7 x	18.3 x	16.6 x	40.9 x	69.3 x	48.2 x
Marriott International Inc	(NASDAQ: MAR)	74,733.6	86,752.6	22.2 x	18.8 x	17.5 x	34.2 x	29.2 x	25.9 x
Hilton Worldwide Holdings Inc	(NYSE: HLT)	47,361.6	56,196.6	53.9 x	56.1 x	54.5 x	46.6 x	55.9 x	50.0 x
Live Nation Entertainment Inc	(NYSE: LYV)	22,975.1	26,926.3	18.3 x	14.5 x	13.4 x	131.2 x	63.1 x	44.9 x
Six Flags Entertainment Corp	(NYSE: SIX)	2,192.7	4,629.9	8.8 x	9.9 x	8.9 x	15.9 x	25.0 x	13.7 x
SeaWorld Entertainment Inc	(NYSE: SEAS)	3,357.3	5,365.2	7.5 x	7.6 x	7.5 x	11.2 x	13.2 x	11.6 x
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
Vail Resorts, Inc.	**(NYSE: MTN)**	**8,525.3**	**11,272.0**	**13.6 x**	**13.6 x**	**11.5 x**	**26.2 x**	**33.2 x**	**15.0 x**
Median					**8.7 x**	**8.2 x**		**19.1 x**	**12.7 x**
Mean					**12.5 x**	**11.8 x**		**25.6 x**	**19.4 x**
75th Percentile					**18.4 x**	**16.8 x**		**57.7 x**	**45.7 x**
High					**56.1 x**	**54.5 x**		**69.3 x**	**50.0 x**
Low					**7.6 x**	**7.5 x**		**13.2 x**	**11.6 x**
25th Percentile					**5.7 x**	**5.6 x**		**9.9 x**	**8.7 x**

	EV/EBITDA Implied Price		P/E Implied Price	
Median	$ 118.88	$ 138.03	$ 128.77	$ 188.81
Mean	**$ 201.17**	**$ 231.28**	**$ 172.36**	**$ 289.93**
High	$ 1,153.12	$ 1,323.56	$ 467.33	$ 746.29
Low	$ 93.06	$ 118.85	$ 88.97	$ 172.58

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